



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

December 3, 2001

In reply refer to: KE-4

Mr. Frank L. Cassidy, Jr., Chairman
Northwest Power Planning Council
851 SW Sixth Avenue, Suite 1020
Portland, OR 97204

Dear Chairman Cassidy:

The purpose of this letter is to describe how the Bonneville Power Administration (BPA) will integrate funding for its fish and wildlife obligations for offsite mitigation measures as described in the Northwest Power Planning Council's (Council) Program, the December 2000 Federal Columbia River Power System's (FCRPS) Biological Opinions (BiOps), and the 1- and 5-year Implementation Plans. We also wish to clarify BPA's fish and wildlife spending estimates for fiscal years (FY) 2002 through 2006, now that the FY 1996 – 2001 Budget Memorandum of Agreement (MOA) has expired for that period.

BPA takes its fish and wildlife obligations for funding fish and wildlife seriously and understands that other Federal, State and Tribal governments likewise will do their fair share to fund and implement actions that will lead to recovery. BPA's success in meeting its fish and wildlife obligations will be measured against the goals, objectives and performance achievements in implementing the Council's Program and the performance standards established in the 2000 BiOps, not solely against the amount of dollars expended on fish and wildlife efforts. We anticipate use of Northwest ratepayer funds towards the highest biological benefit at the least cost. In order to meet our least cost objective we plan to leverage other sources of funding for these efforts through innovative partnerships with other Federal, State, and Tribal governments and others through cost sharing approaches.

Unified approach

BPA anticipates that implementation of fish and wildlife priorities will occur through a unified, integrated planning and implementation approach for the Council's Program and the reasonable and prudent alternative (RPA) actions described in the FCRPS BiOps. Many of the actions in the BiOps and the Council's Program overlap, particularly in the areas of habitat, hatchery and harvest offsite mitigation measures. It is BPA's desire that the Action Agencies' (Corps of Engineers (Corps), Bureau of Reclamation (Bureau) and BPA) FCRPS Biological Opinion Implementation Plans, and the Council's Program through Provincial Reviews, will describe an integrated approach for the actions needed within the hydro system and off-site, to avoid jeopardizing the survival of the listed species and to protect, mitigate and enhance all fish and wildlife affected by the operation of the FCRPS.

I realize the challenges presented with this approach. The timing, analysis and scope of the various regional processes such as provincial reviews, subbasin assessments, subbasin plans, and implementation planning are not precisely synchronized and coordinated. We do not yet have a truly Unified Plan describing both ESA recovery efforts and Council Program mitigation priorities for fish and wildlife affected by the FCRPS in the Columbia River Basin. The first three-year cycle of Council Provincial Reviews will be completed by late summer 2002 while new locally developed Subbasin Plans that provide the priorities, scientific rationale, and context for ongoing and additional efforts for fish and wildlife, including ESA listed populations, are just now getting underway. Completion of these Subbasin Plans within the next two years will bring into focus and truly integrate these fish and wildlife needs. It is in the region's best interest to work within these processes as much as possible to develop a collaborative, unified, and implementable approach that is scientifically, legally, and financially sound. Specific activities that will facilitate integration of the Council's Program with those of the FCRPS BiOps include:

1. Developing one set of regional criteria for Research, Monitoring and Evaluation;
2. Developing criteria for prioritizing ESA measures within the Council's Program;
3. Developing a crediting mechanism for action taken under the Council's Program and BiOps; and
4. Developing sub-basin plans and their relationship to recovery planning efforts under ESA.

However, to support true regional planning, it is helpful for all parties to understand BPA's expenditure estimates throughout the FY 02-06 rate period, and for BPA to continue to have an accurate and public accounting of actual commitments and expenditures for this Program.

Aggregate fish and wildlife budget

This letter establishes BPA's FY 02 – 06 aggregate fish and wildlife spending estimate for planning purposes. The expenditure categories reflect BPA's categorization of, and spending estimated for meeting, its fish and wildlife obligations. They are not meant in any way to change previous commitments outlined in the Fish and Wildlife Funding Principles, nor commitments made to meet trust and treaty responsibilities, nor the basic roles currently underway by the Federal Caucus, Council, Columbia Basin Fish & Wildlife Authority, stakeholders and regional planning processes.

Consistent with principles that originally were identified in the 1996 MOA, BPA's fish and wildlife budget is intended to:

1. Provide financial certainty to BPA and the region by establishing a multi-year planning approach in meeting BPA's fish and wildlife obligations; and
2. Assure that ratepayer funds are expended for the survival, protection, mitigation and recovery of runs of anadromous and resident fish as well as wildlife, as soundly and efficiently as possible, and directed at the highest possible biological results.

Expenditure categories

I. ESA Offsite Mitigation and Council Program Capital Expenditures

These costs consist of fish and wildlife-related borrowing by BPA, or future capital investments directly funded through BPA borrowing, that support activities called for in the 2000 BiOps and the Council's Program.

On a planning basis, an annual average of \$36 million a year of capital for funding the offsite ESA Mitigation and Council Program is estimated by BPA. As a comparison, this figure is a third larger than the estimate of \$27 million each year of capital for the previous FY 1996 – 2001 Budget MOA.

II. ESA Offsite Mitigation and Council Program Expense

These costs are non-capital expenditures for fish and wildlife activities in the offsite mitigation categories and RPAs that are funded directly by BPA. Implemented activities are prioritized based on measures in the 2000 FCRPS BiOps, subsequent Action Agencies' Implementation Plans, and the Council's Program. This category also includes BPA's internal costs such as personnel, contracting, and environmental review devoted to fish and wildlife related efforts. When expending money, BPA will act in the manner consistent with all applicable laws, and will consider the regional priorities and recommendations of the Council, Tribes, States and Federal agencies. In this way BPA will determine the effectiveness of meeting its fish and wildlife obligations under the requirements of the 2000 BiOps, Council Program and Federal treaty and trust responsibilities.

This expense figure for fish and wildlife funding as described in the previous FY 1996 – 2001 Budget MOA was \$100 million each year. On a planning basis for FY 2002 - 2006, an annual average of \$150 million a year of expense dollars is estimated by BPA for funding the offsite ESA Mitigation as described in the 2000 FCRPS BiOps and revised Council Program. This amount is fifty percent greater than the previous MOA and consistent with the funding range assumed in the power rate case and with the Fish & Wildlife Funding Principles that projected an annual average of \$139 million in accruals for purposes of setting BPA's revenue requirement. The \$139 million amount represents a weighted average of the thirteen modeled alternatives having a range of \$109-\$179 million as identified in the FY 02 - 06 rate period.

III. Other Categories of Fish and Wildlife Expenditures Outside of the Offsite Measures

Direct Funding Agreements: Since the MOA, direct funding agreements have been reached with the Corps, Bureau, and U.S. Fish and Wildlife Service. These agreements cover costs of the hydroelectric share of operations and maintenance and other non-capital expenditures for fish and wildlife-related activities that previously were funded by Congressional appropriations and then reimbursed to the U.S. Treasury by BPA. Separate agreements have been signed with each Federal agency for FY 2002 through FY 2006. A portion of the Council's overhead costs is also in this category.

Hydro Capital Expenditures: Costs for hydro capital expenditures consist of the projected depreciation and interest payments for (1) the portion of past fish and wildlife capital investments by the Corps and Bureau for which BPA already is obligated to repay the U.S. Treasury; and (2) the hydroelectric share of future fish and wildlife related capital investments by the Corps and Bureau that will be funded through appropriations and then reimbursed to the U.S. Treasury by BPA, based on activities called for in the 2000 BiOps.

In summary, we recognize the greatly increased level of funding available for offsite fish and wildlife mitigation and the accountability entailed with this enhanced program. Target budget levels in the expense category have increased fifty percent, from \$100 million to \$150 million, and by thirty three percent in the capital category, from 27 million to \$36 million from the previous budget MOA to the current FY 2002 through FY 2006 rate period. We look forward to working with you and our other regional partners who are essential to the success of our fish and wildlife mitigation and ESA recovery efforts. Considering the added challenges posed by current downturns in the regional and national economies, we will work collaboratively with the region to prudently and wisely invest the ratepayer funds towards effectively meeting our fish and wildlife obligations.

If you have any questions, please feel free to call me or Alex Smith at (503) 230-5136.

Sincerely,

Stephen J. Wright
Acting Administrator and Chief Executive Officer

cc:

Chairman Albert Teeman, Burns Paiute Tribe
Chairwoman Colleen Cawston, Confederated Tribes of the Colville Reservation
Chairman Ernest Stensgar, Coeur d'Alene Tribe
Chairman Gary Aitken, Sr., Kootenai Tribe of Idaho
Chairman Glen Nenema, Kalispel Tribe
Chairman Samuel Penney, Nez Perce Tribe
Chairman Fred Matt, Confederated Salish and Kootenai Tribes
Chairman Blaine Edmo, Shoshone-Bannock Tribes of Ft. Hall
Chairman Marvin Cota, Shoshone-Paiute Tribes of the Duck Valley Reservation
Chairman Alfred Peone, Spokane Tribe of Indians
Chairman Antone Minthorn, Confederated Tribes of the Umatilla Indian Reservation
Chairman Olney Patt, Jr., Confederated Tribes of the Warm Springs Reservation
Chairman Lonnie Selam, Sr., Confederated Tribes and Bands of the Yakama Indian Nation
Mr. Donald Sampson, Columbia River InterTribal Fish Commission
The Honorable Dirk Kempthorne, Governor of Idaho
The Honorable Judy Martz, Governor of Montana
The Honorable John Kitzhaber, Governor of Oregon
The Honorable Gary Locke, Governor of Washington

